

Fixed-Weight Composite Methodology

In order to provide the market with a composite index that: a) allows for a clear relationship between the composite and its constituent parts, and b) ensures that composite price movements are a result of component price movements rather than overall composition, Radar Logic publishes a **fixed-weight composite** of its 25 metropolitan statistical area (MSAs).

Individual MSAs are weighted by total market value as follows:

$$W_{\text{MSA}} = \frac{\text{\# housing units} \times \text{median square footage} \times \text{price per square foot}}{\sum_{\text{All MSAs}} (\text{\# housing units} \times \text{median square footage} \times \text{price per square foot})}$$

The **number of housing units** is estimated by the Census Bureau annually at the county (or county subdivision) level, and is generally published approximately nine months after the year's end (e.g., weights as of 9/12/2007 used 2006 Census data). The **median square footage** of all residential properties is estimated by Radar Logic from available tax roll data. The **price per square foot** is calculated as the average 28-day price paid for residential properties over a given timeframe (e.g., weights as of 9/12/2007 reflected transactions from 7/1/2006-6/30/2007).

Taking these weightings into account, the composite price is then calculated as the weighted average of that day's 25 individual MSA prices.

MSA weights are recalculated as necessary. Outstanding trades remain based on the weights at the time they were written, although they may be rolled into contracts based on the revised weights.

MSA weights as of 9/12/2007 are:

Atlanta	2.36%
Boston	4.50%
Chicago	5.70%
Charlotte	0.64%
Cleveland	0.86%
Columbus	0.72%
Detroit	1.89%
Denver	1.47%
Jacksonville	0.71%
Los Angeles	16.06%
Las Vegas	1.40%
Miami	4.63%
Minneapolis	1.91%

Milwaukee	0.66%
New York	23.10%
Philadelphia	4.07%
Phoenix	2.70%
Sacramento	1.94%
Seattle	3.24%
San Francisco	6.97%
San Diego	3.67%
San Jose	2.89%
St. Louis	1.20%
Tampa	1.62%
Washington, DC	5.09%